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Gray Davis,
Governor

California Health and Human Services Agency Data Center

Electronic Benefit Transfer Project
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January 11, 2000

To: All County Welfare Directors
All EBT Primary County Contacts

The EBT Project (Project) has made considerable progress since the September 28, 2000 status letter that was sent to all county welfare directors. With contract negotiations nearing completion, it is time to provide an update on the status of the Project and to clarify several important aspects of the Project. The topics addressed in this letter are: Project Status; EBT Functionality; Relationship Between Direct Deposit and Cash EBT; County Cash Decision; Client Service Benefits of Cash EBT; Client Advocate Issues; and County Implementation Schedule.

Project Status

Contract negotiations with Citicorp Services, Inc. started on November 7, 2000 and are expected to be completed in February 2001. When completed, the State will issue a Notice of Intent to Award and will seek necessary State and Federal approvals, which are estimated to take approximately five months. After approvals are secured, the contract will be executed, and the project will be initiated.

Several Project Workgroups have been convened over the past several months: the Eligibility System Interfaces Workgroup, the Readiness Workgroup and the Cash Decision Workgroup. County staffs have actively participated in the Workgroups and have provided essential input to the Project.

EBT Functionality

The EBT system is a benefit issuance system. It does not have any impact on the policies or procedures in place for eligibility determination or benefit authorization. The EBT system picks up where the county eligibility system leaves off: after eligibility determination and benefit authorization.

Federal regulations mandate the use of EBT for the Food Stamp Program. State EBT legislation allows each county to choose whether to use the EBT system for cash program benefits. Cash programs that counties may choose to include in EBT are CalWORKs, General Assistance/Relief, and Refugee Cash Assistance.

Attachment 1 includes a brief description of the functionality of the EBT system. The EBT Contractor will provide services in support of implementing the EBT system and ongoing operations. During statewide implementation, the EBT Contractor will be responsible for card and PIN issuance; training of clients, county staff, and State EBT staff; county telecommunications and equipment installation; and retailer recruitment, training and equipment installation.

Relationship Between Direct Deposit and Cash EBT

Recently enacted legislation, SB 962 mandates that if a county has a direct deposit option for its employees, it must offer direct deposit to its welfare clients by December 1, 2001. Direct Deposit is voluntary for welfare clients. Each client choosing to use Direct Deposit will be required to maintain a checking or savings account to receive cash welfare benefits.

State EBT legislation allows each county to choose whether to use the EBT system for cash benefits. Direct Deposit and EBT are two different methods of delivering cash welfare benefits to clients. A county may use both methods. If a county uses EBT for cash benefits and also offers direct deposit to its clients, each client may choose to receive her/his cash benefits from direct deposit rather than EBT. It is the responsibility of the county eligibility system to direct clients' cash benefits to the appropriate benefit issuance system (i.e. either Direct Deposit or EBT).

County Cash Decision

Because State EBT legislation allows each county to choose whether to use the EBT system for cash benefits, the EBT procurement includes a county cash decision process after contract negotiations. Counties will evaluate the costs and benefits of cash EBT and the final county decisions will be included in the EBT Contract.

The county cash decision includes:

- Will the county implementation of EBT be for food stamps and cash program benefits or for food stamps only?
- If the county chooses to issue cash program benefits through EBT, which cash programs will be included?"

Project staff and CWDA, with assistance from the Cash Decision Workgroup, are finalizing the process and timeframe for all counties to make the cash EBT decision. The process and timeframe should be completed by the end of

January 2001. The cash decision process and schedule is intended to provide:
1) Sufficient time for county evaluation of costs and benefits and county approval of the final cash decision; and 2) Communication of final county decisions in a timeframe that will not delay Project approvals or contract award.

In early February 2001, preliminary cash EBT costs will be released to counties so they can begin the process of evaluating costs and making the cash decision. As soon as contract negotiations are completed, the final cash EBT cost information will be forwarded to the counties. The following table gives the general timeframes of the county cash decision process:

Jan 2001	Complete development of the cash decision process and timeframes and prepare preliminary cash EBT cost information.
Feb 2001	Release the preliminary cash EBT cost information to counties, followed by the final cash EBT cost information after contract negotiations are completed.
Mar – May 2001	Counties evaluate the costs and benefits of cash EBT, obtain local approval of the final cash decisions and communicate the final cash decisions to the State
May – Jun 2001	Final cash decisions are incorporated into Project approval documents and into the EBT Contract

Client Service Benefits of Cash EBT

In addition to cost, there are significant client service considerations that should be analyzed by counties when they are making the cash EBT decision. Because EBT is currently operating successfully in forty states, California has an advantage when considering the potential impact of EBT on its clients. Experience in other states shows there is limited client resistance to EBT and that the overwhelming majority of clients prefer EBT for the following reasons:

1. EBT reduces the stigma of cashing welfare checks.
2. Client cash benefits are not subject to mail loss or theft.
3. Clients do not have to travel to check distribution sites or wait for checks to arrive in the mail.
4. Clients can draw from their available cash balance as needed rather than cashing a check for the whole benefit amount.
5. Eliminates difficulties in cashing checks for clients that do not have a bank account.
6. If the EBT card is lost or stolen, clients can call a toll-free customer service desk to deactivate the card.

7. An electronic audit trail of EBT transactions and ATM security videos, enhance the ability to identify persons using the EBT card without the clients' authorization.
8. Printed receipts with remaining balances provide clients the opportunity to see where their money is spent and to improve their money management.
9. Clients have more options for obtaining cash benefits with EBT, including "no-cost" options, however, clients may decide to obtain cash benefits at locations with a surcharge because they are more convenient.
10. If clients maintain the security of the PIN, the cash benefits are protected from misuse, however, if the PIN is given to another person the entire benefit balance is accessible by that person.

Client Advocate Issues

The EBT Project Office has been working with an advisory group of client advocates from across the State for the past three years. In May 2000, the State established a Client Advocate Forum that meets quarterly and is open to participation from all interested advocate groups. The purpose of the Forum is to raise the client advocates' awareness of EBT, to educate advocates on the State's EBT requirements and to enlist their support in sharing their knowledge with other local organizations.

As EBT is unfamiliar to welfare recipients in California, clients and advocates have had a variety of concerns about EBT's impact. Many issues have been resolved and are reflected in the ITP contractor requirements, while others continue to be worked on at a statewide level as the Project progresses. Topics currently being addressed at the State level are:

- Where will clients be able to access cash benefits and what fees will be charged to the client?
- What are clients' privacy rights and protections under EBT?
- Why do Authorized Representatives have access to the client's entire Food Stamp benefit amount? Is there any other alternative?
- With EBT, can Food Stamp benefits be used at farmers' markets?
- Are a client's benefits protected if she/he loses the EBT card?

Other issues and concerns expressed by client advocates must be addressed at the County level. Some issues may need to be addressed soon, such as the EBT cash decision. Other issues may be addressed later in the implementation process.

Counties should be aware that client advocates have expressed a desire to be involved in the following local implementation planning issues and decisions:

- County's cash EBT decision for CalWORKs and GA/GR.
- County's selection of EBT implementation options, such as

- Conversion card issuance (mail-based or over-the-counter)
 - Conversion training methods, locations, and hours of operation
 - Ongoing card issuance and PIN selection methods
- Training of local community based organizations and their role in outreach to EBT clients during the conversion period
- Review of the county's cash access plan proposed by the EBT Contractor

County Implementation Schedule

The preliminary county implementation schedule contained in the ITP is currently being used for EBT implementation planning and budgeting activities. After completion of contract negotiations and prior to contract execution, the preliminary county implementation schedule will be compared to the SAWS system implementation schedules to resolve scheduling conflicts. The EBT County Implementation Schedule will be finalized during the first ninety days after contract execution. County implementation of EBT is divided into three phases:

- **Readiness Phase** – two months for selecting county options and preparing for EBT implementation in the county;
- **Planning & Installation Phase** – five months for detailed planning, reengineering of county business processes if required, acquiring conversion and/or client training facilities, working with the EBT Contractor to install EBT communications, hardware and software, developing eligibility and financial system interfaces, developing conversion programs and processes, and preparing for production use of EBT to issue benefits to clients; and
- **Implementation/Conversion Phase** – up to three months for conversion of all food stamp and cash cases (if cash EBT was selected by a county) to EBT and the issuance of client benefits through EBT.

Implementation of EBT for Alameda County (the pilot county) will begin immediately following contract execution. Alameda's live use of the EBT system to issue benefits for clients, will begin approximately ten months after the contract is executed. Following completion of three months of pilot operations and two months of pilot evaluation in Alameda County, and according to the Statewide Implementation Schedule, additional counties will begin implementation of the EBT system.

Based upon the preliminary county implementation schedule and the current status of contract negotiations, it is estimated that the following counties may have EBT implementation activities and costs in FY 2001/2002:

County Name	<i>Estimated</i> Number of Months of Readiness and Planning & Installation Phase Activities During FY 01/02	<i>Estimated</i> Number of Months of Implementation/Conversion Phase Activities (EBT Operations) During FY 01/02
Alameda County	10	2
Contra Costa County	2	
Fresno County	1	
Los Angeles County	4	
Sacramento County	4	
San Francisco County	2	
San Luis Obispo County	1	
San Mateo County	4	
Santa Barbara County	1	
Santa Clara County	3	
Santa Cruz County	4	
Solano County	2	
Sonoma County	3	
Tulare County	1	
Yolo County	3	

Attachment 2 contains a complete list of all counties and the Project months during which they are scheduled to perform EBT implementation activities according to the preliminary county implementation schedule.

Thank you for your continued support of the EBT Project. I appreciate the support and participation of counties in our many workgroup efforts. We are anxious to complete contract negotiations, receive contract approval and begin the design, development and implementation of EBT. If you have any questions or comments, please feel free to contact me at (916) 263-2138 or Bruce Brubaker at (916) 263-4137 or any of our specific project contacts.

For your information, Attachment 3 is an updated list of EBT Project contacts.

Sincerely,

Original signed by Chris Dunham 1/11/01

Chris Dunham
Project Manager
EBT Project